





China indirect tax – supply chain review

 Current position	 What to do/ potential benefits	 How to proceed	 Who should consider?
<p>Multi-national companies react to their business needs through its supply chain structure</p> <p>Supply chain inefficiency may be caused by:</p> <ul style="list-style-type: none"> • Frequently changing indirect tax legislative environment • Inconsistent interpretation of indirect tax regulations • Launching of new business operation • Adopting global business models (set by HQ) <p><i>“How are my competitors doing?”</i></p> <p><i>“What is the typical supply chain structure for my industry?”</i></p>	<p>What to do:</p> <p>Indirect tax supply chain review is aiming to release the potential indirect tax benefits from the supply chain</p> <p>Potential benefits:</p> <p>Assess the current level of indirect tax efficiency by having a better gauge of the indirect tax cost of the current operation</p> <p>Discover potential areas where indirect tax efficiency can be improved</p> <p>Discover potential areas of saving</p>	<p>The 3-phase approach:</p> <ol style="list-style-type: none"> 1. Understand the supply chain <p>To gain understanding of the transaction and materials flows with respect to the supply chain.</p> <ol style="list-style-type: none"> 2. Supply chain tax efficiency and risk assessment <p>Review and analyse the PRC indirect tax implications of the current supply chain flow - numerical analysis and risk assessments.</p> <ol style="list-style-type: none"> 3. Tax efficiency enhancement solutions identification <p>Identifying any indirect tax efficient solutions which may be applicable to the supply chain. The cost-benefit factors of these solutions would also be considered.</p>	<p>Businesses with operations which involve:</p> <ul style="list-style-type: none"> • Planned investment of fixed assets • Manufacturing in China using a variety of imported or “in-China” sourced materials • Sourcing activities in China • Extensive distribution network within China

China indirect tax team contacts:

Alan Wu, Partner
+86 (10) 6533 2889
alan.wu@cn.pwc.com

Janet Xu, Partner
+86 (20) 3819 2193
janet.xu@cn.pwc.com

Robert Li, Partner
+86 (21) 2323 2596
robert.li@cn.pwc.com

Catherine Tsang, Partner
+852 2289 5638
catherine.tsang@cn.pwc.com



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